

## РЕЦЕНЗИИ

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## DESIGNED INEQUALITY\*

The book of prominent Italian scholar Pasquale Tridico turns to the vital and most popular issues of current economic and sociological discourse — inequality and capitalism. Author is Associate Professor in Economic Policy and Jean Monnet Professor in European Economic Integration at the Department of Economics of the University Roma Tre in Rome, Italy, and also general secretary of the European Association for Evolutionary Political Economy. International academic world knows his works on institutional changes in transitional economies, varieties of capitalism, labour relations, and social outcomes of financial crisis since the beginning of the new century. His volume “Inequality in Financial Capitalism” shows his growing interest to the generalized trends and properties of modern society.

The central idea of Pasquale Tridico is that since 1980s on the wave of financialization of the economy, inequality had increased because of the changing relations between labour and capital, precisely due to growing labour flexibility, declining power of trade unions, raising inability of public social spending to compensation of vulnerabilities created by the globalization process (p. 1). He considers this development of inequality as the process caused by political changes that produced well known “new economic paradigm”, although agrees that technological progress also matters. He insists that within the new economic paradigm labour and welfare became interpreted as the costs to be compressed in financial capitalism rather than a fundamental part of aggregate demand to be expanded. Consequently, since Pasquale Tridico examines the rise of inequality the fruit of a certain political line and the reduction of inequality he examines to be achieved by the relevant political decisions.

Financial capitalism claimed to be a new economic paradigm, characterized by the dominance of financial capital, financial institutions and financial motivations. It results in the withdrawal of the state from the economy, the reduction of social spending and orientation of governmental policies on supply. Economic regime built under the new economic paradigm seems to be based on six key changes in the world (see p. 5). First, international political consensus launched by “neoliberal” administrations of Reagan in USA and Thatcher in UK and titled “Washington consensus”, lately supported by the International Monetary Fund and the World Bank. Second, financial deregulation affected on global expansion of capital in search for higher profits, and on intensification of financial tools in economic life. Third, downfall of socialist system, contributed to vanishing the ideological division in Europe and inclusion of East-European countries into the economic system of Western Europe. Forth, intensification of integration process within the frameworks of the European Union providing capital mobility, and liberalization of trade, services, goods, and labour. Fifth, technological progress, culmi-

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nated in ICT Revolution, innovations in transport and telecommunications that significantly reduced transportation costs. Finally, economic upswing of new economic powers, like BRICS challenging the old-fashioned global order.

Pasquale Tridico emphasizes two core lines of worsening the income distribution and sharpening inequality by means of financialization. Financialization favours aggressive implementation by corporate management the strategy of maximizing and distributing dividends for the shareholders at the cost of squeezing production, cutting wages and downsizing. It also facilitates an aggressive short-term strategy of corporations' managers interested mainly to sell products and to the maximization of bonus and profits in the short terms at the expenses of the wage bill. Author of the book understands inequality and financialization as two sides of the same coin. But he clearly acknowledges the true difficulty of establishing a causal relationship between both two. But the strong correlation of financialization and inequality seems to be accepted as evident regarding the big statistical data. Moreover, inequality is seeing as one of the real perpetrators of financial crisis. Challenging the fundamental ideas of liberal economic doctrine Pasquale Tridico concludes that there is no economic growth with inequality (p. 18). Besides he proves that current neoliberal policy turns to be absolutely ineffective.

In broad historical prospective Pasquale Tridico shares the views of Braudel and Arrighi that every accumulation cycle ended with the phase of financialization. At the same time he finds out that inequality trends at the global and the national levels may have opposite direction depending on the main factors providing economic growth (p. 29). For instance, when technology occurred to be the main driver of economic development, inequality increases basically between the states. And since economic growth looks to be driven by labour, skills and human capital, so that inequality rises predominantly within the countries. At the current historical stage of financialization, according to the author of the book, aggressive outsourcing practices and foreign direct investment outflows improved the bargaining positions of capital relative to labour. Capital can easier overcome the resistance of trade unions, and obtain tax reductions and welfare retrenchment. Financialization essentially appears to be a strategy of capital to restore the profit rate at the expanses of the squeeze of wage share.

Labeled by the author as a type of political strategy, financial capitalism is a target of his critical attack. Pasquale Tridico approved that the choice of socioeconomic model made by each state during the decades after the Second World War was decisive for growth or decline of inequality. Econometric model, developed by the author fully confirms this theoretical proposition. He had investigated 34 counties (members of European Union and/or Organization for Economic Co-operation and Development), focusing on statistical data of years for the period between 1990 and 2013. This study proofs that the prevailing politico-economic strategies of more advanced countries which are "financial capitalism" and "welfare capitalism" clearly disperse in the issue of inequality. Financial capitalism being widespread among Anglo-Saxon and Mediterranean countries bases economic policy on idea of efficiency. Welfare capitalism being embedded in Scandinavian and Continental Europe build economic policy on compensation thesis. Both are interpreted as typical modes of reaction on globalization process but with different means and outcomes. Countries of the model "financial capitalism" experience increasing inequality although countries of "welfare capitalism" have lower levels of inequality. On this basis the author concludes that "countries that managed to keep higher levels of public expenditure on the welfare state in the global economy are better off today" (p. 88). These counties were able to control labour market and to manage the stable level of employment, stabilize consumption level and aggregate demand, regulate financial institutions.

Under the regime of financial capitalism improvements of financial institutions and increased borrowing opportunities with the boom of credit consumption couldn't resist but promote weakening of the aggregate demand. Moreover this economic sphere turned to be the most ineffective. Contrary to liberal doctrine financial institutions, especially at the phase of crisis, had being actively saved by the government from collapse. Capital markets appeared to be the poorly competitive, monopolistic, and highly corrupted. According to the author 80% of the market of securities analysis belongs to just two agencies, 13% by third one, and only 7% split among the rest 147 agencies (p. 105). Regime of financial capitalism ensures the interests of very small social group, consists of corporate managers,

shareholders, and capital gains recipients. And multi-national corporations being the core provider of these interests receive the power status similar to states, bargaining with the governments better fiscal and working conditions.

Throughout the volume Pasquale Tridico demonstrates his explicit support of welfare political regime and Keynesian theoretical justifications. Therefore he proposes new type of governmental intervention aimed on stabilization of the aggregate demand, full employment, and transparent financial sector. He welcomes regime of stable accumulation that promote investments into the sphere of production. In its basis this regime needs complete restructuring of the economy and change of institutional forms of current finance system to make them independent from hegemonic strategies of United States. Government that seeks economic progress has to follow the key imperative to escape inequality. It must guarantee the certain level of employment and consumption.

In conclusion I allow making a couple of critical comments. Method employed by Pasquale Tridico fixed capitalist reality as the only inevitable social system of our XXI century. He opposes Marxian position on functionality of inequality under capitalism. He even doesn't questioning durability of capitalism and any future prospective after it. Reader can see an unflattering attitude towards globalization and financialization but not capitalism itself. Author of the book proposes the view that inequality depends on political decision-making and reduced to political will of the government. And one can hardly imagine that this government represents interests of working people as opposed to capital gain recipients. Next point, quite typical for Western academic tradition Pasquale Tridico shows idyllic vision of Gorbachev political activity and therefore wrongly estimates events of the "1991 August Coup" in Soviet Union (see p. 23–24). Author simplifies those events as a "rebellion" that brought to power oligarchs whereas political decisions of those engaged in had quite different motivations and can be barely called the drivers of subsequent oligarch power.

In general the book of Pasquale Tridico is forsooth of high value and I would strongly recommend it for those who specialized in economic sociology and, more broad, in fundamentals of current inequalities around the globe.

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